

**UNITED STATES OF AMERICA**  
**Before The**  
**OFFICE OF THRIFT SUPERVISION**

In the Matter of )

**CHARLES R. VAWTER, JR.** )

**A Former Director** )  
**of** )

**First Federal Bank of the South** )  
**Sylacauga, Alabama** )  
**(OTS No. 05329)** )

Order No. **ATL-2003-05**

Dated: **June 2, 2003**

**STIPULATION AND CONSENT TO ISSUANCE**  
**OF AN ORDER OF PROHIBITION AND**  
**AN ORDER OF ASSESSMENT OF CIVIL MONEY PENALTIES**

WHEREAS, the Office of Thrift Supervision ("OTS"), based upon information derived from the exercise of its regulatory responsibilities, has informed Charles R. Vawter, Jr. ("VAWTER"), former Director of First Federal Bank of the South and its holding company South First Bancshares, Inc., Sylacauga, Alabama, (hereinafter collectively "**FIRST FEDERAL**" or the "Institution") that the OTS is of the opinion that grounds exist to initiate an administrative removal and prohibition and cease and desist proceedings against **VAWTER** pursuant to 12 U.S.C. §§ 1818(e) and (i),<sup>1</sup> and

WHEREAS, **VAWTER** desires to cooperate with the OTS to avoid the time and expense of such administrative proceedings and, without admitting or denying that such grounds exist, but only admitting the statements and conclusions in Paragraph 1 below, hereby stipulates

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<sup>1</sup> All references in this Stipulation and Consent to Issuance of an Order of Prohibition and An Order of Assessment of Civil Money Penalties ("Stipulation") and the related Orders are to the United States Code as amended.

and agrees to the following terms:

**1. Jurisdiction.**

(a) **FIRST FEDERAL**, at all times relevant hereto, was a "savings association" within the meaning of 12 U.S.C. § 1813(b), and 12 U.S.C. § 1462(4). Accordingly, **FIRST FEDERAL** was an "insured depository institution" as that term is defined in 12 U.S.C. § 1813(c).

(b) **VAWTER**, as a Director of **FIRST FEDERAL** at all times relevant hereto, is an "institution-affiliated party" as that term is defined in 12 U.S.C. § 1813(u).

(c) Pursuant to 12 U.S.C. § 1813(q), the OTS is the "appropriate Federal banking agency" with jurisdiction to maintain an enforcement proceeding against savings associations' institution-affiliated parties. Therefore, **VAWTER** is subject to the authority of the OTS to initiate and maintain administrative removal and prohibition and cease and desist proceedings against him pursuant to 12 U.S.C. §§ 1818(b) and (e).

**2. OTS Findings of Fact.**

The OTS finds that **VAWTER** engaged in unsafe and unsound practices while serving as a Director of **FIRST FEDERAL** between 1998 and 2001 in that **VAWTER** repeatedly made withdrawals from his own personal accounts at **FIRST FEDERAL** that created numerous overdrafts, many in amounts of more than \$1 million. By that conduct, **VAWTER** caused **FIRST FEDERAL** to incur significant expenses and **VAWTER** acted with continuing disregard for the safety and soundness of **FIRST FEDERAL**.

**3. Consent.**

**VAWTER** consents to the issuance by the OTS of the accompanying Consent Order of Prohibition ("R&P Order") and the accompanying Consent Order of Assessment of Civil Money Penalties ("CMP Order") (both Orders sometimes collectively referred to as "the Orders"). **VAWTER** further agrees to comply with their terms upon issuance and stipulates that the R&P Order and the CMP Order comply with all requirements of law.

**4. Finality.**

The R&P Order and the CMP Order are issued by the OTS under the authority of 12

U.S.C. §§ 1818(e) and (i), respectively. Upon their issuance by the Regional Director or designee for the Southeast Region, OTS, each shall be a final order, effective and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

#### **5. Waivers.**

**VAWTER** waives the following:

- (a) the right to be served with a written notice of the OTS's charges against him;
- (b) the right to an administrative hearing of the OTS's charges against him; and
- (c) the right to seek judicial review of either the R&P Order or the CMP Order or both, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Orders.

#### **6. Indemnification.**

**VAWTER** shall neither cause nor permit **FIRST FEDERAL** (or any successor institution, holding company, subsidiary, or service corporation thereof) to incur, directly or indirectly, any expense for any legal or other professional expenses incurred relative to the negotiation and issuance of the Orders. Nor shall **VAWTER** obtain any indemnification (or other reimbursement) from the Institution (or any successor institution, holding company, subsidiary, or service corporation thereof) with respect to such amounts. Any such payments received by or on behalf of **VAWTER** in connection with this action shall be returned to **FIRST FEDERAL** (or the successor institution, holding company, subsidiary, or service corporation thereof).

#### **7. Other Government Actions Not Affected.**

**VAWTER** acknowledges and agrees that the consent to the issuance of the Orders is for the purpose of resolving any and all actions or causes of action that the OTS has or may have against **VAWTER** as of the effective date of the Orders and any and all actions **VAWTER** has against the OTS or its Director, as of the effective date of the Orders, and does not release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of **VAWTER** that arise pursuant to this action or otherwise, and that may be or have

been brought by any other government entity other than the OTS.

#### **8. Agreement for Continuing Cooperation**

**VAWTER** agrees that, at the OTS's written request, without service of a subpoena, he will provide discovery and will testify truthfully at any judicial or administrative proceeding related to any investigation, litigation, or other proceeding maintained by OTS relating to **FIRST FEDERAL** or its institution-affiliated parties, except that **VAWTER** does not waive any privilege against self-incrimination under the Fifth Amendment of the United States Constitution. If **VAWTER** invokes his privilege against self-incrimination under the Fifth Amendment of the United States Constitution and the OTS obtains a grant of immunity pursuant to 18 U.S.C. § 6001 et seq., **VAWTER** agrees, consistent with any such grant of immunity, to provide discovery and to testify truthfully at any judicial, administrative, or investigative proceeding for which immunity is given.

#### **9. Miscellaneous**

(a) The construction and validity of this Stipulation and the Orders shall be governed by the laws of the United States of America;

(b) All references to the OTS in this Stipulation and the Orders shall also mean any of the OTS's predecessors, successors, and assigns;

(c) The section and paragraph headings in this Stipulation and Orders are for convenience only, and such headings shall not affect the interpretation of this Stipulation or the Orders;

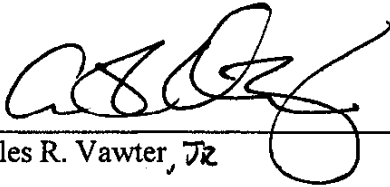
(d) The terms of this Stipulation and Orders represent the final written agreement of the parties with respect to the subject matters hereof, and constitute the sole agreement of the parties with respect to such subject matters; and

(e) This Stipulation and Orders shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Director, Regional Director, or other authorized representative.

**WHEREFORE, VAWTER** executes this Stipulation and Consent to Issuance of an

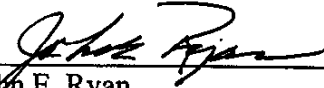
Order of Prohibition and an Order of Assessment of Civil Money Penalties, intending to be legally bound hereby.

By:



Charles R. Vawter, Jr.

Accepted by:  
Office of Thrift Supervision

  
John E. Ryan  
Southeast Regional Director

Dated: 5.12.2003

Dated: 6/2/03

\* \* \* \* \*

#### ACKNOWLEDGMENT

State of Alabama

County of Jefferson

On this 12<sup>th</sup> day of May, 2003, before me, the undersigned notary public, personally appeared Charles R. Vawter and acknowledged his execution of the foregoing Stipulation and Consent to Issuance of an Order of Prohibition and an Order of Assessment of Civil Money Penalties.

  
Notary Public

My Commission expires:

August 5, 2004

**UNITED STATES OF AMERICA**  
**Before The**  
**OFFICE OF THRIFT SUPERVISION**

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**CHARLES R. VAWTER, JR.** )  
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**A Former Director** )  
**of** )  
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**First Federal Bank of the South** )  
**Sylacauga, Alabama** )  
**(OTS No. 05329)** )

Order No. **ATL-2003-05**

Dated: **June 2, 2003**

**CONSENT ORDER OF PROHIBITION**

WHEREAS, **CHARLES R. VAWTER, JR. ("VAWTER")** has executed a Stipulation and Consent to the Issuance of an Order of Prohibition and an Order of Assessment of Civil Money Penalties ("Stipulation"); and

WHEREAS, **VAWTER**, by his execution of the Stipulation, has consented and agreed to the issuance of this Order of Prohibition ("Order") by the Office of Thrift Supervision ("OTS"), pursuant to 12 U.S.C. § 1818 (e).

**NOW THEREFORE, IT IS ORDERED that:**

1. **VAWTER**, except upon the prior written consent of the OTS (acting through its Director or an authorized representative thereof) and any other "appropriate Federal financial institutions regulatory agency," for purposes of 12 U.S.C. § 1818(e)(7)(B)(ii), shall not:

(a) hold any office in, or participate in any manner in the conduct of the affairs of, any institution or agency specified in 12 U.S.C. § 1818(e)(7)(A), including, but not limited to:

(i) any insured depository institution, e.g., savings and loan associations, savings banks, national banks, trust companies, and other banking institutions;

(ii) any institution treated as an insured bank under 12 U.S.C. §§ 1818(b)(3) and 1818(b)(4), or as a savings association under 12 U.S.C. § 1818(b)(9), e.g., subsidiaries and holding companies of banks or savings associations;

(iii) any insured credit union under the Federal Credit Union Act [12 U.S.C. § 1781 et seq.];

(iv) any institution chartered under the Farm Credit Act of 1971 [12 U.S.C. § 2001 et seq.];

(v) any appropriate Federal depository institution regulatory agency, within the meaning of 12 U.S.C. § 1818(e)(7)(A)(v); and

(vi) the Federal Housing Finance Board and any Federal Home Loan Bank.

(b) solicit, procure, transfer, attempt to transfer, vote, or attempt to vote any proxy, consent, or authorization with respect to any voting rights in any institution described in 12 U.S.C. § 1818(e)(7)(A);

(c) violate any voting agreement previously approved by the "appropriate Federal banking agency" within the meaning of 12 U.S.C. § 1813(q); or

(d) vote for a director, or serve or act as an "institution-affiliated party," as that term is defined at 12 U.S.C. § 1813(u), e.g., a director, officer, employee, controlling stockholder of, or agent for, an insured depository institution.

2. This Order is subject to the provisions of Section 8(j) of the FDIA, 12 U.S.C. § 1818(j).

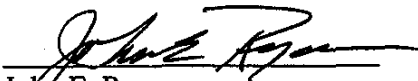
3. The Stipulation is made a part hereof and is incorporated herein by this reference.

4. VAWTER shall promptly respond to any request from the OTS for documents and/or information that the OTS reasonably requests to demonstrate compliance with this Order.

5. This Order is and shall become effective on the date it is issued, as shown in the caption hereof. The Stipulation and the Order shall remain in effect until terminated, modified or suspended, in writing by the OTS, acting through its Director, Regional Director or other authorized representative.

**OFFICE OF THRIFT SUPERVISION**

By:

  
John E. Ryan  
Southeast Regional Director